Grant Thornton

Consolidated financial statements

British Columbia Institute of Technology

March 31, 2012

Contents

MANAGEMENT'S REPORT

The management of the British Columbia Institute of Technology (the "Institute") is responsible for the preparation, presentation and consistency of the accompanying consolidated financial statements. The consolidated financial statements and accompanying notes are prepared in accordance with Canadian generally accepted accounting principles.

The management of the Institute maintains the necessary system of internal controls to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The controls are monitored by the Institute's internal auditors.

The Audit and Finance Committee of the Board of Governors meets periodically with the Institute's management and with the internal and external auditors to review matters relating to financial reporting and internal accounting control and the nature, extent and results of audit examinations.

Grant Thornton LLP conducted an independent examination of the Institute's consolidated financial statements in accordance with Canadian generally accepted auditing standards.

DWright

Don Wright

President

L. O'Meli

Lorcan O'Melinn, CGA

Vice President, Finance and Administration

Independent auditor's report

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To the Board of Governors of British Columbia Institute of Technology

To the Minister of Advanced Education of the Province of British Columbia

We have audited the accompanying consolidated financial statements of British Columbia Institute of Technology (the "Institute"), which comprise the consolidated statement of financial position as at March 31, 2012, the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Vancouver, Canada

May 24, 2012

Chartered accountants

British Columbia Institute of Technology
Consolidated statement of financial position

(in thousands of dollars)

March 31	2012	2011
Assets		
Current		
Cash and short-term investments	$ **21,050**	$ 26,964
Accounts receivable		
Province of British Columbia	**1,434**	1,000
Other (Note 3)	**12,846**	11,760
Inventories	**1,779**	1,884
Prepaid expenses	**496**	1,244
	37,605	42,852
Restricted cash	**15,071**	17,691
Investments (Note 4)	**25,085**	23,416
Debt sinking funds (Note 5)	**3,724**	5,345
Capital assets (Note 6)	**393,479**	387,086
	$ **474,964**	$ 476,390

	2012	2011
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 7)	$ **29,205**	$ 34,458
Deferred tuition fees	**19,091**	18,331
Deferred revenue - other	**11,300**	12,482
Short-term debt	**-**	500
Current portion of long-term liabilities (Note 10)	**3,713**	56,809
	63,309	122,580
Employee future benefits (Note 8)	**15,904**	14,773
Asset retirement obligation (Note 9)	**17,697**	6,226
Long-term liabilities (Note 10)	**69,574**	25,684
Deferred contributions (Note 11)		
Capital	**208,950**	212,485
Other externally restricted funds	**6,529**	8,486
	381,963	390,234
Net assets		
Invested in capital assets (Note 12)	**102,087**	94,587
Endowments	**23,125**	21,492
Internally restricted	**577**	782
Unrestricted	**(32,788)**	(30,705)
	93,001	86,156
	$ **474,964**	$ 476,390

Contingencies (Note 13)

On behalf of the Board

________ Governor ________ Governor

See accompanying notes to the consolidated financial statements.

British Columbia Institute of Technology
Consolidated statement of operations

(in thousands of dollars)

Year ended March 31		2012		2011
Revenue				
Grants - Province of British Columbia	**$**	**135,825**	$	134,101
Tuition fees		**89,976**		88,052
Sales and ancillary revenue		**12,535**		12,815
Industry services		**9,051**		9,718
Facilities rental, cost recoveries and other income		**12,556**		9,518
Investment income		**2,844**		3,174
Gifts and donations		**1,438**		804
Amortization of deferred contributions (Note 11)				
Capital		**12,220**		11,779
Other externally restricted funds		**8,519**		10,470
		284,964		280,431
Expenses				
Salaries and wages		**150,772**		147,339
Employee benefits		**28,449**		28,301
Amortization of capital assets		**23,824**		21,678
Repairs and maintenance		**14,110**		11,421
Supplies and general		**13,121**		12,022
Fees for service		**11,670**		11,690
Interest		**9,024**		5,221
Professional development		**6,760**		5,862
Cost of sales		**5,776**		6,073
Utilities		**4,928**		4,796
Student awards		**3,544**		4,229
Printing and advertising		**2,893**		2,247
Equipment and facilities leases		**2,597**		1,840
Banking and insurance		**1,957**		2,321
Telecommunications		**1,374**		1,480
		280,799		266,520
Excess of revenue over expenses before gain (loss) on disposition of capital assets		**4,165**		13,911
Gain (loss) on disposition of capital assets		**282**		(3,812)
Excess of revenue over expenses	**$**	**4,447**	$	10,099

See accompanying notes to the consolidated financial statements.

British Columbia Institute of Technology
Consolidated statement of changes in net assets

(in thousands of dollars)
Year ended March 31

	2012					2011
	Invested in capital assets	**Endowments**	**Internally restricted**	**Unrestricted**	**Total**	Total
Balance, beginning of year	**$ 94,587**	**$ 21,492**	**$ 782**	**$ (30,705)**	**$ 86,156**	$ 75,553
Excess of (expenses over revenue) revenue over expenses (Note 12)	**(11,322)**	**-**	**140**	**15,629**	**4,447**	10,099
Net change in invested in capital assets (Note 12)	**18,822**	**-**	**904**	**(19,726)**	**-**	-
Transfers	**-**	**(765)**	**(1,249)**	**2,014**	**-**	-
Endowment contributions	**-**	**2,398**	**-**	**-**	**2,398**	504
Balance, end of year	**$ 102,087**	**$ 23,125**	**$ 577**	**$ (32,788)**	**$ 93,001**	$ 86,156

See accompanying notes to the consolidated financial statements.

British Columbia Institute of Technology
Consolidated statement of cash flows

(in thousands of dollars)

Year ended March 31		**2012**		2011
Cash provided by (used in):				
Operations				
Excess of revenue over expenses	$	**4,447**	$	10,099
Items not involving cash				
Fair value adjustment of investments		**103**		(1,246)
Amortization of capital assets		**23,824**		21,678
Employee future benefits		**1,131**		1,044
Asset retirement obligation accretion expense		**308**		330
(Gain) loss on disposition of capital assets		**(282)**		3,812
Amortization of deferred contributions				
Capital		**(12,220)**		(11,779)
Other externally restricted funds		**(8,519)**		(10,470)
Change in non-cash operating working capital (Note 14)		**(6,342)**		7,621
		2,450		21,089
Investments				
Additions to capital assets		**(17,237)**		(51,987)
Proceeds on disposition of capital assets		**2,956**		-
Changes in long-term investments, net		**(1,772)**		1,495
Asset retirement obligation liabilities settled		**(126)**		(82)
		(16,179)		(50,574)
Financing				
Capital contributions received		**8,685**		41,116
Other contributions received		**6,562**		11,010
Endowment contributions		**2,398**		504
Debt sinking funds		**1,621**		988
Short-term debt		**(500)**		(400)
Long-term liabilities		**(13,571)**		(7,778)
		5,195		45,440
(Decrease) increase in cash		**(8,534)**		15,955
Cash and cash equivalents, beginning of year		**44,655**		28,700
Cash and cash equivalents, end of year	$	**36,121**	$	44,655
Cash and cash equivalents consists of:				
Cash and short-term investments	$	**21,050**	$	26,964
Restricted cash		**15,071**		17,691
	$	**36,121**	$	44,655

Supplemental cash flow information (Note 14)

See accompanying notes to the consolidated financial statements.

1. General

British Columbia Institute of Technology (the "Institute") is an agent of the Crown and operates under the College and Institute Act, R.S.B.C. 1996. The Act is administered by the Minister of Advanced Education. As an agent of the government, the Institute is not liable to taxation except to the extent the government is liable.

The purpose of the Institute is to provide courses of instruction in advanced technological and vocational fields.

The Institute receives a significant portion of its revenue and capital funding from the Province of British Columbia (the "Province").

2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

Basis of presentation

These consolidated financial statements include activities from various funds and are classified for accounting and reporting purposes as the unrestricted fund, internally restricted fund and endowment fund.

The unrestricted fund includes the instructional, administrative and other operational costs financed by grants, tuition fees and other general income. It also records the related assets, liabilities and surplus/deficit.

The internally restricted fund includes amounts reserved for specific purposes, subject to approval of the Board of Governors.

The endowment fund includes endowment contributions. Investment income earned on these funds is distributed in accordance with the provisions of each endowment agreement. Distribution of the contributed principal of the endowments is prohibited.

Basis of consolidation

These consolidated financial statements include the accounts of the following entities:

- BCIT Foundation, which is a controlled not-for-profit organization, was incorporated March 30, 1999, under the Society Act (British Columbia). The purpose of BCIT Foundation is to raise funds in order to further the goals, objectives and strategic interests of the Institute; stimulate and provide financial support for the development and expansion of educational programs, services, capital projects and other initiatives as recommended by the Institute; and to provide financial support to enable students to participate in learning at the Institute.
- TTA Technology Training Associates Ltd., which is a wholly-owned corporation, was incorporated July 12, 1999, under the Business Corporations Act (British Columbia). The purpose of TTA Technology Training Associates Ltd. is to provide management training in the transportation field and facilitate the submission of international education project proposals, principally to government organizations.

2. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

These consolidated financial statements also include 25% of the assets, liabilities, net assets, revenues and expenses of operations of Great Northern Way Campus Trust (the “Trust”) (Note 4). The Trust is an equal share joint venture between the Institute, Simon Fraser University, University of British Columbia, and Emily Carr University of Art + Design. The purpose of the Trust is to develop an integrated, learning-centred campus with a high-technology focus, supported by new media and telecommunication technologies.

All balances and transactions between the Institute and the above consolidated entities have been eliminated on consolidation.

Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid securities with original terms to maturity of three months or less when purchased.

Short-term investments

Short-term investments include securities with original terms to maturity of greater than three months and less than one year when purchased.

Inventories

Inventories of merchandise held for resale are recorded at the lower of cost and net realizable value. Supplies inventories are recorded at the lower of cost or replacement cost. Cost is determined using the first-in, first-out method for all inventories.

Restricted cash

Restricted cash includes the unspent portion of deferred contributions and deferred capital contributions.

Interests in joint ventures

Interests in joint ventures are recorded using proportionate consolidation, whereby the Institute’s pro-rata share of each of the assets, liabilities, net assets, revenues and expenses are recorded.

Capital assets

Capital asset acquisitions are recorded at cost, except donated assets which are recorded at fair market value at the date of acquisition.

Capital assets contributed by the Province are recorded at the assigned values at the dates of acquisition, except for certain land, buildings and equipment which were granted to the Institute by the Province. Only the land portion of the grant is recorded at its 1986 assessed value of $23,800.

2. Summary of significant accounting policies (continued)

Capital assets (continued)

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings and teaching facilities	40 years
Computers	4 years
Equipment	6 years
Library books	10 years

Computers and equipment under capital lease are amortized on a straight-line basis over the lesser of their estimated useful lives and the term of the lease.

Impairment of long-lived assets

The Institute monitors the recoverability of long-lived assets based on estimates using factors such as expected future asset utilization, economic outlook and future cash flows expected to result from the use of the related assets or be realized on sale. The Institute recognizes an impairment loss if the projected undiscounted aggregate cash flows are less than the carrying amount. The amount of impairment charge, if any, is defined as the excess of carrying value over its fair value.

Employee future benefits

The Institute provides certain benefits, including accumulated sick and vacation pay, retirement allowance, group benefits and life insurance, for certain employees pursuant to certain contracts and union agreements. The Institute accrues the cost of these employee future benefits over the periods which the employees earn the benefits. These costs are actuarially determined using the projected benefit cost method prorated on the length of service and management's best estimate of salary escalation, retirement ages of employees and expected plan benefits costs. The most recent valuation of the obligation was performed for March 31, 2010, and projected to March 31, 2012. The actuary performing the valuation of the obligation indicated there were no significant factors noted during fiscal 2012 which would result in a change in the actuarial assumptions used in determining the valuation. The plans are unfunded. Employer contributions are made based upon expected annual benefit payments.

2. Summary of significant accounting policies (continued)

Asset retirement obligation

The Institute recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the assets. The Institute concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the useful life of the asset. The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted risk-free interest rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the passage of time are recognized in income as an operating expense using the interest method. Changes in the obligation due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is depreciated over the remaining life of the asset.

Revenue recognition

The Institute follows the deferral method of accounting for contributions.

Under this method, amounts externally restricted by a contributor for designated expenditures are recognized as revenue in the period the related expenses are incurred. Amounts not recognized as revenue in the current year are shown as deferred contributions. Capital funding provided by the Province is recorded as deferred capital contributions as funds are advanced for capital asset acquisitions. These deferred capital contributions are recognized as revenue on the same basis as the depreciation expense relating to the capital asset. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases to net assets.

Tuition fees and receipts from sales of services and products are recognized as revenue at the time the products are delivered or the services are substantially provided.

Rental revenue and interest income are recognized over the period earned.

Donations for capital asset acquisitions are deferred and recognized as revenue in the year in which the related amortization expense is recorded.

2. Summary of significant accounting policies (continued)

Financial instruments

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the consolidated statement of financial position and are initially measured at fair market value. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in excess of revenue over expenses in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included as changes in net asset balances until the asset is removed from the consolidated statement of financial position. Loans and receivables, investments held-to-maturity and other financial liabilities are measured at amortized cost using the effective interest rate method.

The Institute classifies its financial instruments as follows:

- Cash and cash equivalents as held-for-trading;
- Accounts receivable as loans and receivables;
- Investments as held-for-trading;
- Debt sinking funds as held-for-trading;
- Accounts payable and accrued liabilities as other financial liabilities; and
- Long-term liabilities as other financial liabilities.

Purchases and sales of investments are recorded on a trade date basis.

The Institute has opted to continue to apply the disclosure requirements of The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3861 *Financial Instruments Disclosure and Presentation* in place of CICA Handbook Sections 3862 and 3863 as permitted for not-for-profit organizations.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the serviceability of assets, useful lives for amortization, asset retirement obligation, provision for uncollectible accounts and provision for contingencies. Actual amounts may ultimately differ from these estimates.

Comparative figures

Certain of the prior year's comparative figures have been reclassified to conform with the current year's financial statement presentation.

(in thousands of dollars)

2. Summary of significant accounting policies (continued)

Future change in accounting frameworks

In 2010, the Canadian Accounting Standards Board ("AcSB") confirmed the option for government not-for-profit organizations to transition to either Public Sector Accounting Standards with the 4200 not-for-profit organizations ("NFPO") series or Public Sector Accounting Standards without the 4200 NFPO series from Canadian generally accepted accounting principles ("GAAP"). Both sets of frameworks are effective for fiscal years commencing on or after January 1, 2012, with early adoption permitted.

The Treasury Board issued a directive to all taxpayer supported Crown corporations and Crown agencies of the Government of British Columbia, directing that each organization will adopt Public Sector Accounting Standards without the 4200 NFPO series. As a result, the Institute will begin reporting its consolidated financial statements in accordance with the Public Sector Accounting Standards without the 4200 NFPO series on April 1, 2012. This change in accounting framework will require the restatement for comparative purposes of amounts reported by the Institute for the year ending March 31, 2012. While the Institute has begun assessing the impact of this change in accounting framework on its consolidated financial statements, the financial impact cannot be reasonably estimated at this time. Implementing Public Sector Accounting Standards without the 4200 NFPO series will have an impact on accounting, financial reporting and supporting IT systems and processes.

3. Accounts receivable - other	**2012**	2011
Student	**$ 1,173**	$ 1,957
Trade and other	**11,673**	9,803
	$ 12,846	$ 11,760

4. Investments

Portfolio investments

Investments as at March 31 are comprised of:

	2012	2011
Fixed income securities	**$ 12,799**	$ 11,392
Equities	**12,286**	12,024
	$ 25,085	$ 23,416
Historical cost	**$ 25,361**	$ 23,589

(in thousands of dollars)

4. **Investments** (continued)

Great Northern Way Campus Trust joint venture

A summarized balance sheet, statement of operations and statement of cash flows as at March 31, 2012 and for the year then ended are as follows:

	Trust	25% share
Current assets	$ 13,402	$ 3,351
Long-term assets	$ 65,671	$ 16,418
Current liabilities	$ (4,872)	$ (1,218)
Long-term liabilities	$ (20,318)	$ (5,080)
Revenue	$ 21,442	$ 5,361
Expenses	(13,275)	(3,319)
Excess of revenue over expenses	$ 8,167	$ 2,042
Cash provided by (used in):		
Operating	$ (2,062)	$ (516)
Financing	(21)	(5)
Investing	12,520	3,130

5. Debt sinking funds

Contributions to the sinking funds are made for certain long-term debt obligations with the Province. Investments held in the sinking funds, including interest earned, are used to repay the related debt at maturity. The Institute makes annual principal and interest payments towards the sinking funds to the Province using revenue proceeds from the Downtown training centre. The sinking funds are held and invested by the Province to provide for the retirement of the bond.

(in thousands of dollars)

6. Capital assets

						2012		2011
		Cost		Accumulated amortization		**Net book value**		Net book value
Land	$	55,586	$	-	**$**	**55,586**	$	56,627
Buildings		415,792		113,106		**302,686**		291,751
Equipment		109,506		87,978		**21,528**		23,447
Computers		26,999		20,286		**6,713**		10,530
Library books		478		291		**187**		192
Teaching facilities		3,988		2,150		**1,838**		1,883
Leased computers and equipment		9,183		4,242		**4,941**		2,656
	$	621,532	$	228,053	**$**	**393,479**	$	387,086

7. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is $937 (2011: $997) payable to the British Columbia Council on Admissions and Transfer (“BCCAT”). The amount is unsecured, non-interest bearing and has no terms of repayment.

8. Pension plans and employee future benefits

Pension plans

The Institute and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trusteed pension plans. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are defined. The College Pension Plan has about 13,000 active members from college senior administration and instructional staff and approximately 5,000 retired members. The Municipal Pension Plan has about 173,000 active members, with approximately 5,600 from colleges.

The most recent valuation for the College Pension Plan as at August 31, 2009, indicated an unfunded liability of $28 million for basic pension benefits. The next valuation will be as at August 31, 2012, with results available in 2013. The most recent valuation for the Municipal Pension Plan as at December 31, 2009, indicated a $1,024 million deficit for basic pension benefits. The next valuation will be as at December 31, 2012, with results available in 2013. Defined contribution plan accounting is applied to the plan as the plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan. The Institute paid $12,344 for employer contributions to the plans in fiscal 2012 (2011: $11,664).

(in thousands of dollars)

8. Pension plans and employee future benefits (continued)

Employee future benefits

The Institute also provides certain benefits, including accumulated sick and vacation pay, retirement allowance, group benefits and life insurance, for certain employees pursuant to certain contracts and union agreements.

Information about these employee future benefits is as follows:

	2012	2011
Accrued benefit obligation	**$ 15,330**	$ 14,705
Fair value of plan assets	**-**	-
Funded status	**(15,330)**	(14,705)
Balance of unamortized amounts	**692**	803
Accrued benefit liability	**(14,638)**	(13,902)
Employer's share of benefits (EI, CPP, pension)	**(1,266)**	(871)
Total liability	**$ (15,904)**	$ (14,773)

The obligation is not presently funded.

The significant assumptions used are as follows:

	2012	2011
Accrued benefit obligations as of March 31		
Discount rate	**4.8%**	5.0%
Benefit cost for year ended March 31		
Discount rate	**4.2%**	4.8%
Assumed health care cost trend rates at March 31	**4.5% - 8.1%**	4.5% - 8.5%

Other information regarding the Institute's benefits are as follows:

	2012	2011
Employer contributions	**$ 1,127**	$ 1,037
Components of net benefit expense		
Service cost	**$ 1,061**	$ 1,006
Interest cost	**634**	655
Long-term disability experience	**168**	385
Amortization of net actuarial loss	**-**	35
Net benefit expense	**$ 1,863**	$ 2,081

(in thousands of dollars)

9. Asset retirement obligation

The Institute has recorded an asset retirement obligation for the estimated costs of asbestos removal from certain facilities. The following is a reconciliation of the changes in the asset retirement obligation during the year:

		2012		2011
Balance, beginning of year	$	6,226	$	5,978
Add: accretion expense		308		330
Add: revision in estimated cash flows		11,289		-
Less: liabilities settled		(126)		(82)
Balance, end of year	$	17,697	$	6,226

The accretion expense is included in interest expense. The undiscounted estimated cash flows required to settle the obligation are approximately $24,379 to be paid during the fiscal years 2013 to 2038. The estimated cash flows were discounted using credit-adjusted risk-free rates from 2.69% to 8.00%.

10. Long-term liabilities		2012		2011
Long-term debt	$	68,227	$	79,961
Capital lease obligations		5,060		2,532
		73,287		82,493
Less: current portion		3,713		56,809
	$	69,574	$	25,684

Long-term debt

Long-term debt as at March 31 is comprised of:

		2012		2011
BC Immigrant Investment Fund, 2.70% due August 2017 (i)	$	53,724	$	55,360
Province of British Columbia, 8% bond, due September 2023 (ii)		12,888		22,888
Royal Bank of Canada, 5.55% mortgage, due August 2013 (iii)		1,615		1,713
		68,227		79,961
Less: current portion of long-term debt		1,912		55,458
	$	66,315	$	24,503

(in thousands of dollars)

10. Long-term liabilities (continued)

Long-term debt (continued)

i Principal and interest payments are made to the BC Immigrant Investment Fund at $809 per quarter. The debt is unsecured.
ii Interest payments are made to the Province of British Columbia semi-annually. The Institute makes contributions to the sinking fund each year to repay the bond at maturity (Note 5). The bond is unsecured.
iii Principal and interest payments are made to Royal Bank of Canada at $16 per month. The mortgage is secured by a charge against a portion of the student residences.

Principal payments for the next five years and thereafter are as follows:

	BC Immigrant Investment Fund	Province of British Columbia	Royal Bank of Canada	Total
2013	$ 1,808	$ -	$ 104	$ 1,912
2014	1,857	-	1,511	3,368
2015	1,907	-	-	1,907
2016	1,959	-	-	1,959
2017	2,013	-	-	2,013
Thereafter	44,180	12,888	-	57,068
	$ 53,724	$ 12,888	$ 1,615	$ 68,227

Capital lease obligations

Capital lease payments, including principal and interest are as follows:

2013	$ 1,919
2014	1,524
2015	1,095
2016	855
	5,393
Less: interest	333
Present value of minimum lease payments	5,060
Less: current portion	1,801
	$ 3,259

(in thousands of dollars)

11. Deferred contributions

Capital

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

		2012		2011
Balance, beginning of year	$	**212,485**	$	183,148
Add: contributions received during the year		**8,685**		41,116
Less: amounts amortized to revenue		**(12,220)**		(11,779)
Balance, end of year	$	**208,950**	$	212,485

The balance of unamortized capital contributions related to capital assets consists of the following:

		2012		2011
Unamortized capital contributions used to purchase assets	$	**200,408**	$	203,280
Unspent capital funding		**8,542**		9,205
	$	**208,950**	$	212,485

Other externally restricted funds

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations.

		2012		2011
Balance, beginning of year	$	**8,486**	$	7,946
Add: contributions received during the year relating to future periods		**6,562**		11,010
Less: amounts recognized as revenue		**(8,519)**		(10,470)
Balance, end of year	$	**6,529**	$	8,486

(in thousands of dollars)

12. Net assets invested in capital assets

Net assets invested in capital assets is comprised of the following:

		2012		2011
Capital assets	$	**393,479**	$	387,086
Amounts financed by				
Deferred capital contributions		**(200,408)**		(203,280)
Long-term debt		**(73,287)**		(82,493)
Short-term debt		**-**		(500)
Asset retirement obligation		**(17,697)**		(6,226)
	$	**102,087**	$	94,587

Excess of expenses over revenue

		2012		2011
Amortization of deferred capital contributions	$	**12,220**	$	11,779
Amortization of capital assets		**(23,824)**		(21,678)
Gain (loss) on disposition of capital assets		**282**		(3,812)
	$	**(11,322)**	$	(13,711)

Change in net assets invested in capital assets

		2012		2011
Additions to capital assets	$	**32,891**	$	53,153
Proceeds on disposition of capital assets		**(2,956)**		-
Contributions received during the year		**(8,685)**		(41,116)
Change in unspent capital contributions		**(663)**		(2,866)
Repayment of long-term liabilities		**13,571**		7,778
Repayment of short-term debt		**500**		400
Change in asset retirement obligation		**(11,471)**		(248)
Equipment under capital lease		**(4,365)**		(1,166)
	$	**18,822**	$	15,935

13. Contingencies

There are lawsuits pending in which the Institute is involved arising in the ordinary course of business. It is considered that the potential claims against the Institute resulting from such litigation would not materially affect the consolidated financial statements of the Institute. Any difference between the liability accrued by the Institute related to the lawsuits and the amounts ultimately settled will be recorded in the period in which the claim is resolved.

(in thousands of dollars)

14. Supplemental cash flow information

Change in non-cash operating working capital		2012		2011
Accounts receivable	**$**	**(1,520)**	$	(4,729)
Inventories		**105**		(220)
Prepaid expenses		**748**		509
Accounts payable and accrued liabilities		**(5,253)**		10,374
Deferred tuition fees		**760**		1,191
Deferred revenue - other		**(1,182)**		496
	$	**(6,342)**	$	7,621

During the year, interest of $8,808 was paid (2011: $5,232).

Non-cash transactions		2012		2011
Receipt of donated capital assets	**$**	**550**	$	2,226
Equipment under capital lease		**4,365**		1,166
Increase in asset retirement obligation and capital assets		**11,289**		-

15. Financial instruments

The Institute's financial instruments include cash and cash equivalents, investments, debt sinking funds, accounts receivable, accounts payable and accrued liabilities, short-term debt, and long-term liabilities. Cash and cash equivalents, investments, and debt sinking funds have been recorded at their fair values. Accounts receivable, accounts payable and accrued liabilities, and short-term debt approximate their fair values due to their immediate or short term to maturity. The fair value of long-term liabilities, determined by the future cash flows discounted at current interest rates, is approximately $75,274.

15. Financial instruments (continued)

The Institute has exposure to the following risks from its use of financial instruments.

Credit risk

The Institute is exposed to the risk that the counterparty defaults or becomes insolvent. The Institute's investments in pooled funds that hold debt securities are exposed to such risk. Credit risk also arises from the possibility that student, trade and other receivables may not be collected.

This risk is mitigated by proactive credit managing and investment policies that include regular monitoring of each debtor's payment history and performance.

Market risk

There is a risk that fluctuations in market prices will affect the Institute's net assets and the value of holdings in investments. Market risk is comprised of the following:

Interest rate risk

Interest rate risk refers to the effect on the market value of the Institute's assets due to fluctuations in interest rates. The market value of the Institute's investments in fixed income pooled funds is also affected by fluctuations in interest rates.

Foreign currency risk

Foreign currency exposure arises from the Institute's foreign currency denominated investments. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value of investments.

The Institute manages its credit risk and market risks on its investments by investing in funds that have a well-diversified portfolio of securities.

Liquidity risk

It is management's opinion that the Institute is not exposed to liquidity risk arising from these financial instruments.

16. Capital management

The capital structure of the Institute consists of net assets invested in capital assets, endowment funds, internally restricted funds and unrestricted net assets. The primary objective of the Institute's capital management is to protect the assets of the Institute while fulfilling its mandate to provide courses of instruction in advanced technological and vocational fields.

Net assets invested in property and equipment represents the amount of net assets that are not available for other purposes because they have been invested.

16. Capital management (continued)

Internally restricted funds represent funds that have been allocated internally for the purpose of promoting the Institute, assisting students in projects related to training or providing special training and facilities not funded from the Provincial operating grants.

Endowment funds represent donations received by BCIT Foundation which are to be maintained in perpetuity as part of BCIT Foundation's mandate to raise funds to further the goals, objectives and strategic interests of the Institute. A portion of the endowment funds also represents funds received by Great Northern Way Campus Trust from the BC provincial government in 2006 for new program start up.

Unrestricted net assets are funds available for future operations and are preserved so the Institute can have financial flexibility should opportunities arise in the future. At March 31, 2012, the Institute had a deficiency of unrestricted net assets of $32,788. This balance arose prior to 2009/2010, primarily due to the financing of capital assets through operations.

For the year ended March 31, 2012, the Institute has complied with all externally imposed capital restrictions.

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